

Message Text

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E.O. 11652:N/A

TAGS: EFIN, EAID, GY

SUBJECT: BILATERAL WITH GUYANA AT IDB MEETING

1. AT REQUEST OF GUYANESE U.S. DELEGATION REPRESENTATIVES NACHMANOFF (TREASURY), ARELLANO (STATE), AND DUNGAN (U.S. EXECUTIVE DIRECTOR, IDB) MET IN VANCOUVER APRIL 17 WITH MINISTER OF FINANCE HOPE AND DEPUTY SECRETARY MURRAY. PURPOSE OF MEETING WAS TO REVIEW STATUS OF NEGOTIATIONS WITH THE IMF AND TO SEEK U.S. HELP IN CONVINCING THE FUND TO BE MORE UNDERSTANDING AND FLEXIBLE IN THEIR NEGOTIATIONS WITH THE GUYANESE.

2. STATUS OF NEGOTIATIONS: GOG NEGOTIATING WITH FUND SINCE LAST SEPTEMBER FOR A THREE-YEAR EFF ARRANGEMENT. ACCORDING TO FINANCE MINISTER NEGOTIATIONS ARE AT A STAND-LIMITED OFFICIAL USE

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STILL BECAUSE FUND IS INSISTING ON A 30 PERCENT DEVALUATION ON TOP OF SUBSTANTIAL MEASURES ALREADY TAKEN BY GOG. MEASURES INCLUDED CUT IN GOVERNMENT EXPENDITURES AND SUBSIDIES ON BASIC ITEMS AS WELL AS NEW TAX MEASURES WHICH WILL RAISE REVENUES 15 TO 20 PERCENT. HOPE POINTED OUT THAT DEVALUATION OF THIS SIZE WILL HAVE SERIOUS NEGATIVE IMPACT ON BASIC COMMODITY PRICES AND COULD LEAD TO SERIOUS

POLITICAL REACTIONS. FURTHERMORE, FUND STAFF NOT ENTIRELY SURE WHAT THE REAL BENEFITS OF THIS STEP WILL BE TO GUYANA.

HE WENT ON TO POINT OUT THAT IN THE END PUBLIC ACCEPTANCE OF ANY STABILIZATION PROGRAM IS ESSENTIAL AND THAT THE GOG IS WILLING TO EXPLORE ALTERNATIVES TO DEVALUATION WITH FUND STAFF. ADDITIONAL MEASURES TO INCREASE DOMESTIC SAVINGS MIGHT INCLUDE BROADER PARTICIPATION IN PENSION/ LIFE INSURANCE SCHEMES. THE GOG, ACCORDING TO THE MINISTER HAS A CLEAR DESIRE TO BE FLEXIBLE AND WILL TRY AGAIN WITH THE FUND. ONCE FUND AGREEMENT IS IN PLACE A NUMBER OF OTHER THINGS OPEN UP.

3. REQUEST FOR ASSISTANCE: THE GOG NEEDS MORE UNDERSTANDING FROM THE FUND, AND THE MINISTER REQUESTED THAT THE U.S. ED AT THE FUND EXPRESS HIS VIEW IN THE APPROPRIATE PLACE THAT THE U.S. IS ANXIOUS TO SEE A SETTLEMENT BETWEEN THE FUND AND THE GOG. FRIENDLY INTERVENTION WOULD NOT BE DESIGNED TO HELP GOG AVOID TAKING NECESSARY STABILIZATION MEASURES BUT WOULD "HELP GIVE THE GOG THE BENEFIT OF THE DOUBT" PRESUMABLY ON THE DEVALUATION ISSUE, SO THAT NEGOTIATIONS CAN MOVE FORWARD.

4. U.S. RESPONSE: U.S. DELEGATION ACKNOWLEDGED THAT THIS KIND OF NEGOTIATION IS NOT EASY AND THAT STABILIZATION MEASURES INVOLVE SACRIFICE. AS THE MINISTER HIMSELF LIMITED OFFICIAL USE

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POINTED OUT A FUND AGREEMENT IS VERY IMPORTANT. THE U.S. DOES NOT WANT TO SECOND GUESS THE FUND ON THE TECHNICAL MERITS OF A PROGRAM. WE HOPE THAT DIFFERENCES COULD BE WORKED OUT BETWEEN THE PARTIES DIRECTLY INVOLVED. THE U.S. WAS INTERESTED IN THE NEGOTIATIONS AND U.S. DELEGATION WOULD RELAY GOG VIEWS TO OUR ED AT THE FUND SO THAT HE CAN TAKE THEM INTO ACCOUNT IN ANY DISCUSSIONS HE MAY HAVE WITHIN THE FUND. U.S. DELEGATION EMPHASIZED ITS HOPE THAT GOG AND FUND WOULD SOON REACH MUTUALLY SATISFACTORY AGREEMENT. VANCE

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